Q1 2025 Honeywell International Inc Earnings Call Transcript

Apr 29, 2025 / 12:30PM GMT
Release Date Price: $211.49 (+5.40%)

Key Points

Transcript 10-Q 8-K

Q & A

Key Points

Positve

- Honeywell International Inc (HON) exceeded the high end of its guidance on all metrics in the first quarter of 2025, demonstrating strong performance and substantial free cash flow growth.
- The company maintained its full-year organic growth guidance and raised its adjusted EPS guidance, showing confidence in its ability to navigate economic uncertainties.
- Honeywell International Inc (HON) is actively managing tariff impacts through a local-for-local strategy and pricing adjustments, aiming to offset $500 million in tariff exposure.
- The company is progressing well with its plan to separate into three standalone public companies, which is expected to unlock significant value for stakeholders.
- Honeywell International Inc (HON) has a strong acquisition strategy, with the recent acquisition of Sundyne expected to enhance its business profile and boost organic growth and segment margins.

Negative

- The economic climate has become increasingly uncertain, with shifting global trade patterns and higher price expectations posing challenges to customer planning.
- Industrial Automation sales declined 2% organically in the first quarter, with lower demand in personal protective equipment, particularly in China and Europe.
- Segment margin in Aerospace Technologies contracted by 190 basis points due to mix pressure and acquisition integration costs.
- The company anticipates potential end-market demand weakness triggered by geopolitical uncertainties, impacting organic sales and segment profit.
- Honeywell International Inc (HON) is facing challenges in its Industrial Automation segment, with exposure to China trade and potential demand destruction in short-cycle businesses.

Operator

Thank you for standing by, and welcome to the Honeywell first-quarter 2025 earnings conference call.(Operator Instructions)

I would now like to hand the call over to Sean Meakim, Vice President of Investor Relations. Please go ahead.

Sean Meakim
Honeywell International Inc - Vice President, Investor Relations

Thank you. Good morning, and welcome to Honeywell's first-quarter 2025 earnings conference call. On the call with me today are Chairman and Chief Executive Officer, Vimal Kapur; and Senior Vice President and Chief Financial Officer, Mike Stepniak.

This webcast and the presentation materials, including non-GAAP reconciliations, are available on our Investor Relations website. From time to time, we post new information that may be of interest or material to our investors on this website.

Our discussion today includes forward-looking statements that are based on our best view of the world and of our businesses as we see them today and are subject to risks and uncertainties, including the ones described in our SEC filings.

This morning, we will review our financial results for the first quarter, share our guidance for the second quarter, and provide an update on full year 2025. As always, we'll leave time for your questions at the end.

With that, I'll turn the call over to Chairman and CEO, Vimal Kapur.
Vimal Kapur
Honeywell International Inc - Chairman of the Board, Chief Executive Officer

Thank you, Sean, and good morning, everyone. Honeywell saw its strong finish to last year's carry into 2025 as we exceeded the high end of our guidance on all metrics in the first quarter, and this performance translated into substantial free cash flow growth as well. Overall, demand was strong with a book-to-bill above 1.

Although our business has solid momentum heading into the second quarter, the economic climate has become increasingly uncertain in recent weeks. Global trade patterns are shifting because of increasing tariffs and duties, making customer planning more difficult. Weaker sentiments, combined with higher price expectation warrants incremental caution regarding end-market demand in the coming quarters.

Despite these headwinds, we remain on track to deliver on our 2025 outlook as we are maintaining our full-year organic growth guidance and raising our adjusted EPS guidance. Our outlook now incorporates the impact of current tariffs and macroeconomic uncertainty, fully offset by our ongoing mitigation efforts, local-for-local strategy, accelerated operating system, and resilient market position.

As you can see, we are taking decisive actions during this uncertain time to not only protect but grow earnings, invest for future, and position Honeywell for long-term success regardless of the operating environment we face. Honeywell has a team across function and businesses meeting daily to review and respond to tariff announcements. This team analyzes a number of levers to optimally respond to changing conditions.

We're also closely monitoring bilateral negotiations and engaging with key stakeholders. From our perspective, there are three very important consideration for supporting American competitiveness and manufacturing: maintain the principle of USMCA, strike the right kind of trade agreement with our major trading partners, and continue the global framework that has made the US the world leader in aerospace.

As external environment has become more unpredictable, we remain focused on what we can control, and we have made significant progress in planning and executing our separation into three industry-leading public companies. This preparation has included key leadership appointments to ensure that we have the right people in place to continue our portfolio transformation.

Let's turn to slide 3 to discuss a few important changes announced earlier this month. Su Ping Lu will succeed Anne Madden as Senior Vice President and General Counsel while retaining her role as Corporate Secretary. Su has more than 15 years of legal experience with Honeywell across many of our business lines and geographies, will further strengthen our executive leadership team.

Anne will transition into a new role as Senior Vice President of Portfolio Transformation and Senior Advisor, where her experience leading over 100 acquisitions as Honeywell's Global Head of M&A will prove invaluable during our continued portfolio optimization.

Also, our Board of Directors has elected Stephen Williamson to join us as an Independent Director and Audit Committee Member. Stephen's decade as CFO of Thermo Fisher Scientific will broaden and deepen the expertise of Board.

I want to personally congratulate these three individuals on their new roles. And I look forward to working closely with each one of them.

Let's turn to slide 4 to discuss update on separation. We hold strong conviction that separating Automation, Aerospace, and Advanced Materials can unlock significant value for all Honeywell stakeholders by best positioning each standalone public company for long-term profitable growth. Following our announcement in February, Honeywell has taken many steps forward in preparation for these transactions.

First, we determined a tax-free spin of Honeywell Aerospace will be most efficient way to separate our Automation and Aerospace businesses. Second, the Board confirmed that I will lead the Automation company going forward as it's where I've spent bulk of my carrier and where I have a specific vision for the future. At the right time, Board will evaluate the future leadership of Honeywell Aerospace as well.

Third, we established dedicated separation management office run by experts in corporate transformation. These entities have empowerment to maintain the value of our businesses, minimize separation costs, and achieve our communicated timelines. Most importantly, they will ensure that our operations leaders are focused solely on serving our customers and achieving our financial targets.

Fourth, we appointed an accomplished leadership team, what will be called Solstice Advanced Materials. Collectively, they bring years of experience leading public companies, operating specialty chemical businesses and utilizing Honeywell Accelerator operating system. Solstice will be headquartered in New Jersey, where the current leadership team for the business sits.

Fifth, we'll continue deploying capital as an active buyer of our own shares, which offer tremendous value at recent levels. We have repurchased about $3 billion of our shares already this year and will continue to repurchase our stock opportunistically.

And lastly, in March, we announced the acquisition of Sundyne as we continue to optimize our portfolio. If you turn to slide 5, I'll discuss how this deal fits into with our portfolio transformation.

As you can see, Sundyne will be the fifth strategic bolt-on acquisition since I became Honeywell's CEO, along with a couple of strategically important technology tuck-ins. Sundyne meets each of the common sense criteria we have set in. It's the right size. It exceeds our financial return hurdles. It improves our business profile by boosting both organic growth and segment margins. And Honeywell is a natural owner of the business as Sundyne addresses a closely adjusted market to our existing ESS offering, which will allow us to sell a more robust and complementary portfolio of solutions to our customers, particularly in LNG.

We have meticulously built a pipeline of acquisition targets with compelling financial characteristics over the past several years, and we'll continue to pursue them if they become available to us. Given everything we have in flight, only the deals that are time-sensitive will be pursued for now. Buying these differentiated businesses with strong aftermarket content and secular growth drivers at a reasonable price is a powerful use of capital. Our 2024 acquisitions are now increasingly incorporated into our operations and performing admirably well with the bulk of integration work behind us, reinforcing that we have the right M&A process in place to create incremental value.

While we continue to evaluate acquisitions, we also look forward to opportunistically exit businesses, such as Personal Protective Equipment, that do not fit into our business model or strategic priorities. The PPE sale will improve margins and organic growth.

I will now move to slide 6 to address how we view the present global uncertainty. As a company, we remain confident in our ability to navigate the current trade environment. For decades, we have positioned each of our business lines to serve their local markets. This local-for-local strategy reduces our overall exposure to international trade and geopolitical tensions.

Based on tariffs in place today, our approximate 2025 exposure is about $500 million before taking any mitigation measures. Our better-tested Accelerator operating system can quickly identify areas of concern and implement mitigation efforts. Then we pursue consistent and clear communication with our suppliers, customers, and partners to maximize operational stability for all parties.

Through this well-developed operational systems and our established local-for-local footprint, we are confident we can fully offset the impact of current tariffs and are well positioned to manage future trade uncertainty. This is evident in today's results and our confidence in maintaining and raising guidance in spite of these offsetting headwinds.

Most importantly, whenever elevated global tensions do subside, we remain in excellent position to capitalize on our record backlog and continue our growth trajectory.

Now let me turn over to Mike to discuss our excellent first-quarter results.
Mike Stepniak
Honeywell International Inc - Senior Vice President, Chief Financial Officer

Thank you, Vimal, and good morning to everyone joining us. Let me begin on slide 7.

We had a very strong start to the year in the first quarter, exceeding the high end of our organic sales, segment margin, and adjusted earnings per share guidance. Our results demonstrate tremendous effort from our commercial teams, successful productivity initiatives, and excellent supply chain coordination with our partners in a rapidly changing marketplace.

First-quarter sales grew 4% organically led by Aerospace Technologies, where both our commercial aftermarket and defense and space businesses experienced double-digit growth. Building solutions remained a significant contributor as well.

Segment margin remained flat from the prior year at 23%, with improvement in Building Automation and Energy and Sustainability Solutions, offset by pressure in Aerospace Technologies and Industrial Automation.

I would like to highlight that this margin performance includes an increase in our research and development spend of 50 basis points from the previous year to 4.5% of sales. We continue to balance current period profitability with our organic growth initiatives.

Segment profit for the quarter grew 8% year over year, aided by the inclusion of our 2024 acquisitions, which are performing ahead of the initial expectations. Earnings per share for the first quarter was $2.22 per share, flat from the previous year, while adjusted earnings per share was $2.51 per share, up 7% year over year. [Profit -- segment profit more than] offset headwinds from interest rate expense, foreign exchange, and taxes. You will find a bridge of adjusted EPS from 1Q '24 to 1Q '25 in the appendix of this presentation.

Orders were $10.6 billion in the quarter, up 3% year over year, excluding the effect of acquisitions, [while] supported by organic backlog growth of 8% to a new record of $36.1 billion. Orders growth was led by longer-cycle Building Automation and aerospace businesses.

First-quarter cash flow was more than $300 million, over $100 million above the prior year, driven primarily by better adjusted earnings. We're utilizing our cash flow and strong balance sheet to dynamically allocate capital, including returning capital to shareholders.

In the first quarter, we repurchased nearly $2 billion of our own shares at prices we find highly compelling. And we bought back roughly another $1 billion during the month of April, representing about 2% of our shares outstanding in 2025. We also paid more than $700 million of dividends in the first quarter. We are investing in our business both organically and inorganically as we allocated approximately $250 million of capital projects and announced the acquisition of Sundyne.

Now let's spend some time discussing our first-quarter performance by business. In Aerospace Technologies, sales in the first quarter were up 9% organically year over year, exceeding our prior expectations. Better output as a result of supply chain improvements and robust demand from air transport customers to support increased flight activity drove 15% sales growth in the commercial aftermarket business.

Defense and space, aided by increased output and elevated global defense spending in a world of ongoing geopolitical uncertainty, delivered a fifth consecutive quarter of double-digit growth despite challenging comps and expiring government programs a year ago. Aerospace industry demand continues to outpace supplies, supporting our orders growth of 9% and a book-to-bill of 1.1.

First-quarter segment margin contracted 190 basis points to 26.3%, but matched our expectations as mix pressure and acquisition integration costs from CAES were partially offset by productivity actions.

Industrial Automation sales declined 2% organically in the first quarter, led by lower demand in personal protective equipment, particularly in China and Europe. Warehouse and workflow solutions returned to growth in the quarter, up 5%, as demand for warehouse automation continues to stabilize and prior-year comparisons get easier.

Our sensing business demonstrated recovery in the second consecutive quarter with double-digit growth in both healthcare and aerospace and defense end-markets. Process Solutions sales were flat as continued strength in life cycle solutions and services and compressor controls was offset by modest declines in smart energy and thermal solutions.

In productivity solutions and services, weakness in Europe led to sales decline of 1% year over year when excluding the impact of the final year license and settlement payments. Segment margin in Industrial Automation contracted 130 basis points to 17.8%, driven by receivables write-downs and volume deleverage, partially offset by productivity actions.

Building Automation delivered another solid quarter and outpaced our expectations, up 8% organically, led by second consecutive quarter above double-digit growth in building solutions and mid-single-digit growth in building products.

Solutions continued to benefit from its robust backlog, up 11% in the quarter, led by over 30% growth in the Middle East and mid-teens growth in North America. Building products growth of 6% was driven by double-digit organic growth in fire and sustained strength in security.

Overall, orders continue to be an encouraging indicator for Building Automation with the first quarter marking a fourth consecutive quarter of year-over-year growth. Building Automation margin expanded 150 basis points, driven by volume leverage, productivity actions and accretion from access solutions.

Energy and Sustainability Solutions sales declined 2% organically in the first quarter. Strong quarter in petrochemical and refining projects as well as sustainability projects helped UOP deliver 2% organic sales growth year over year.

Advanced materials sales declined 4% as challenging prior-year comps in flooring products offset broad-based strength in specialty chemicals and materials, highlighted by over 20% growth in Spectra. Orders were a bright spot for advanced materials up 7% year over year, driven by double-digit growth in foreign products.

This quarter marked a second full quarter of ownership of the LNG business acquired from Air Products, which continues to grow at accretive sales and margin rates. ESS segment margin expanded 230 basis points in the quarter, led by productivity actions and the year-over-year benefit from the LNG acquisition, partially offset by cost inflation.

Taken all together, we still see long-cycle businesses outperforming short-cycle ones, while record backlog levels and best-in-class operating system position us well for future periods.

I'll now move to slide 8 to talk about our second-quarter and full-year guidance. Although a strong first quarter like we delivered would typically indicate improved expectations for the remainder of the year, we cannot ignore changes in the geopolitical environment that Vimal mentioned in his earlier remarks, and believe that continuing to take a pragmatic approach to our guidance is appropriate given the increasing global uncertainty.

Rest assured, Honeywell is actively and successfully addressing both potential cost and demand challenges to mitigate their impact on our business. We have a playbook of rapid implementation of sourcing, pricing, and productivity changes.

As a reminder, our local-for-local approach to maintaining supply chain has been our strategy for more than two decades and is a very mature part of our operating system. This structure and our leading market positions will help mitigate much of our recent tariff changes across the portfolio. But we're not immune. We'll continue to balance protecting margins and sustaining volume across our end-markets.

Now let's discuss what this means for 2025 guidance. For clarity, our guidance now assumes the impact of announcing tariffs net of mitigation actions as well as additional contingency for potential end-market demand weakness triggered by this uncertainty. We are maintaining our prior outlook calling for organic sales growth of 2% to 5% for the year or 1% to 4% when excluding the prior-year impact from the Bombardier agreement, with better 1Q performance being offset by a prudent guidance posture given greater uncertainty for the rest of the year.

As we contemplate the potential influence of uncertainty on our customers' activity, we are assuming an impact to organic sales for the remainder of the year approaching 1% to segment profit of about 2%, and to EPS of about $0.18, comparing to the guidance we laid out in February. Full-year sales are now projected to be $39.6 billion to $40.5 billion as favorable movement in foreign exchange rates since year-end are being offset by two fewer months of revenue from our PPE business given an early May exit rather than end of June.

Our guidance does not incorporate the acquisition of Sundyne, which is still expected to close in the second quarter. We anticipate year-over-year organic sales improvement to be relatively balanced across the next three quarters when excluding the impact of last year's Bombardier agreement, which will only influence the fourth-quarter comparison.

Consequently, we also see second-quarter sales growing 1% to 4% organically, which translates into sales of $9.8 billion to $10.1 billion with one more month of PPE operations included or a $200 million impact compared to a full quarter. We now anticipate our overall segment margin to (technical difficulty) basis points this year or to be down 10 basis points to up 20 basis points ex-Bombardier. Changes to our margin outlook from prior expectations are focused in IA and ESS, given their relatively higher exposure to China trade. For the second quarter, segment margin is expected to be in the range of 22.8% to 23.2%, down 20 basis points to up 20 basis points from the prior year as margin improvement in IA and BA is offset by contraction in aero and ESS.

For the year, we now expect earnings per share of $10.20 to $10.50, up 3% to 6% or down 1% to up 2% excluding the prior-year Bombardier agreement impact. Earnings per share in the second quarter is anticipated to be in the range of $2.60 and $2.70, up 4% to up 8% year over year. I will provide additional details for full-year EPS in a few minutes.

Free cash flow for the year is still expected to be $5.4 billion to $5.8 billion, down 2% to up 5% ex-Bombardier and roughly in line with earnings growth. You can reference the 2025 free cash flow bridge in the appendix.

Beyond our CapEx and dividend commitment, we plan to continue to deploy capital diligently over the course of the year, funding both attractive, time-sensitive acquisitions such as Sundyne as well as being opportunistic on the repurchase of our shares. Year to date, we have already bought back $3 billion worth of our stock, including $1 billion in April, putting us on the path to reduce our net share count for the year by 2%, far exceeding our 1% annual commitment.

In summary, we're taking a clear-eyed look at the remainder of 2025 to set appropriate expectations for our business given all the information available to us today. We are also not pausing the investment needed to fuel the future of innovation growth.

I'll now turn to slide 9 to spend a few minutes on our outlook by business, discussing high-level expectations by segment with additional details by SBU covered in the commentary portion of the slide.

For Aerospace Technologies, we are holding our 2025 full-year outlook for organic sales growth in the high-single-digit range or mid-single-digit to high-single-digit when excluding the impact of last year's Bombardier agreement. Aero is expected to maintain its position as the growth leader for Honeywell, driven by ongoing ramp in flight activity and global defense spending.

For the second quarter, organic sales are expected to be up in the mid-single-digit to high-single-digit range, led by strength in our commercial aftermarket business as supply chain analog continues to support our (technical difficulty) Margins for the quarter and the year should be roughly 26% as CAES integration headwinds temporarily bring the segment below the run rate levels.

We are lowering the 2025 sales outlook for Industrial Automation to down mid-single-digits year over year as the trajectory of short-cycle orders and customer CapEx decisions has become increasingly uncertain in the current environment. We expect IA margins to be up modestly versus the prior year as we work to mitigate a potentially weaker demand environment and incremental costs related to tariffs with additional commercial excellence and productivity actions.

We also anticipate second-quarter sales to be down mid-single-digits year over year as strong end-market towers in sensing and continued growth in warehouse automation are offset by muted demand growth in productivity solutions services and personal productive equipment. Industrial Automation margin is expected to expand as the PPE exit, commercial excellence, and productivity more than offset volume deleverage and cost inflation.

For Building Automation, we are raising our 2025 sales outlook to mid-single-digit growth, given stand-up performance in both long- and short-cycle businesses in the first quarter. Our sales outlook for the remainder of the year remains largely unchanged as momentum from new product innovation and robust demand in high-growth regions is partially tempered by global uncertainty for our business segment with the most international exposure.

In the second quarter, we expect sales to be up low mid-single-digits with sequential and year-over-year growth in both solutions and products. Margins for the quarter and for the year should expand as volume leverage, accretion from access solutions, and productivity actions more than offset cost inflation.

In Energy and Sustainability Solutions, we expect 2025 organic sales growth to remain in our previously guided low-single-digit range year over year, led by strength in UOP and ongoing momentum in SDS. We continue to build on our robust pipeline from sustained global demand in projects despite ongoing macroeconomic uncertainty.

We anticipate ESS margin to remain flat as cost inflation is offset by productivity actions and the full-year benefit from the LNG acquisition. For the second quarter, organic sales should be up sequentially with flat to up year-over-year growth as backlog conversion is partially offset by the final quarter of difficult foreign comps for the year. Margin is expected to contract from the prior year as a result of timing impacts but remain in line with the first quarter.

Now let's turn to slide 10 to go over our 2025 EPS bridge. Walking from 2024 adjusted EPS ex-Bombardier to the midpoint of our 2025 EPS guidance range involves a few moving pieces. We see organic segment profit growth adding $0.13 per share to 2025 earnings, down from our prior guide. The first-quarter surpassed our outlook, but that will be more than offset by our more prudent posture towards guidance for the remainder of the year, driven by geopolitical changes seen over the past few weeks and their possible impact on customer demand, particularly in the back half of the year.

Contributions from our 2024 acquisitions are still expected to add approximately $0.33 per share to 2025 EPS. Notably, expectations for these businesses have shown stability at levels ahead of our initial plans at the time of purchase. Again, I remind everyone that the Sundyne acquisition is not yet included in guidance for the year.

The sale of our PPE business, for which we now model an early May close, will drag down earnings by $0.07 for the year. So it will prove beneficial to segment margin and organic sales growth.

Foreign exchange movements since February have modestly reduced the expected currency headwind to earnings for the year to $0.05 per share. Please see the appendix of this presentation for a bridge with the sales impact of FX.

Below the line items, the difference between segment profit and income before tax remains the largest headwind to year-over-year earnings growth at $0.52 per share. Pension income for the year is still expected to be $550 million, $50 million less than 2024 because of one-time item in Europe. The related transaction ended up closing early in the second quarter rather than the first quarter as anticipated previously, which shifted a negative income effect.

Repositioning expenses are now expected to be $125 million to $225 million as roughly half of the lower first quarter spending is assumed to occur later in the year. Lastly, other below-the-line expenses anticipated to be modestly higher at $1.35 billion to $1.4 billion, increasing from 2024 on account of higher interest expense from last year's acquisitions and the first quarter's accelerating share repurchase.

Full-year tax rate expectations have not changed. So we anticipate a lower rate in the second quarter, offset by higher third-quarter rate. Finally, our full-year average share count expectation has been reduced by 12 million shares, increasing the tailwind to EPS to $0.19.

Now I'll turn the call back over to Vimal.
Vimal Kapur
Honeywell International Inc - Chairman of the Board, Chief Executive Officer

Thanks, Mike. In closing, our performance in the first-quarter exceeded all our communicated targets on the strength of our business model and the dedication of our more than 100,000 future shapers around the globe. Our vast installed base continues to provide stable demand for our solutions in this time of uncertainty.

Simultaneously, we are investing substantial resources to expand further into high-growth verticals to develop innovative new products and services and to grow our supply capabilities to fulfill our record backlog even as we maintain promised level of profitability. In updating our 2025 outlook, we sought to prudently balance the strength of our first-quarter results with the unfolding economic uncertainty in the global economy.

Taking both into account, we are raising the midpoint of our 2025 EPS guidance. The work to separate Honeywell into three standalone public companies has begun in earnest and the value creation opportunity from greater strategic focus, financial flexibility, and tailored capital priorities for each of the businesses are becoming clearer each day. Our separation teams kicked off the process with the preparatory spins to lay out clearly the road ahead and the large obstacles to overcome.

Such planning will allow us to move both quickly and effectively in the months ahead, while ensuring our businesses do not miss a beat. In this way, we'll be certain to deliver our commitment to our shareholders, customers and our employees.

One way in which we can further maximize our value as we work through our spin-off transaction is to continue to selectively utilize our strong balance sheet and cash flow generation for a creative bolt-on acquisition. In view of the availability of such deal, we'll believe our shares offer tremendous value at recent levels.

With that, Sean, let's take questions.

Questions & Answers

Sean Meakim
Honeywell International Inc - Vice President, Investor Relations

Thank you, Vimal. (Event Instructions)

Operator

Thank you. (Operator Instructions)

Nigel Coe, Wolfe Research.

Nigel Coe
Wolfe Research, LLC - Analyst

Thanks. Good morning, everyone. Thanks for the question. Maybe just a bit more details on the tariff impact, the way that flows through, obviously $500 million. I just want to confirm that's the -- I'm assuming that's second half, so the analyze will be closer to $1 billion. But maybe just talk about kind of the offset strategies there. Any pricing versus supply chain measures? Anything there would be helpful.

Vimal Kapur
Honeywell International Inc - Chairman of the Board, Chief Executive Officer

Hey, Nigel. So first of all, I would say, if you see the chart in our deck, our local-for-local strategy is the foundation for counting the impact of the tariffs. We are largely localized in each regions, in United States, in Europe and so on. So our impact that way is informed by that local footprint.

Now to your question, the countermeasures are going to be some pricing. We are going to do pricing, where we have the opportunity. At the same time, we have substantial direct material productivity options available this year. And with the combination of the two, we are going to offset the impact of this $500 million of tariff.

I do believe that if we look at our business mix, it's largely -- a large part of it is aftermarket, which gives us the resilience to allow pricing execution there. At the same time, we operate in very rational markets. Most of our competition are public companies, which are projecting very similar strategies. So our confidence to execute -- mitigating this $500 million tariff is very high.

Sean Meakim
Honeywell International Inc - Vice President, Investor Relations

Nigel, this is Sean. Just a clarifying point on that, the $1 billion estimate as you put, keep in mind, tariffs in the first half are not zero. So I think as you annualize a full-year impact would be something a bit lower than what you suggested, but not too far off.

Nigel Coe

Wolfe Research, LLC - Analyst

Okay. Thanks. That's helpful. And then, Mike, you mentioned contingency in the guide related to macro. I'm curious, is that more of a top-down -- reading all the stuff in the press that we're all reading, is that more of a top-down contingency? Or are you starting to see unusual behavior or anything to kind of inform a weaker second half?

Mike Stepniak
Honeywell International Inc - Senior Vice President, Chief Financial Officer

That's correct. That's more a top-down view. If we look at our first-quarter orders, very strong. April, strength in orders also continued. So we feel good about that. That said, just looking at our end markets, especially in Industrial Automation, our exposure to China there, we took a little bit more, I would say, prudent view in terms of what contingency we want to have, just to make sure we protect our total year.

So yes, this is demand contingency for the second half. I don't have any data that would suggest that demand is falling out, but we'll continue to take a prudent stance on our guide. I want to make sure that the guide I give you, I have a high level of confidence that team can deliver on it.

Operator

Steve Tusa, JPMorgan.

Stephen Tusa
J.P. Morgan Securities LLC - Analyst

Hi. Good morning. Can you guys just parse out what your volume assumption as -- I think coming into this year, you've talked about like 3 points of price? Maybe what's the volume assumption just in the context of this contingency? Just trying to kind of gauge what's kind of in the base case and what's just a hedge on that front.

Mike Stepniak
Honeywell International Inc - Senior Vice President, Chief Financial Officer

Sure. So just to clarify one more time, our total year framework is unchanged. Everything holds. If you look at now price volume going into the year, we're assuming about, I think, 2% price. That's what we communicated.

Sean Meakim
Honeywell International Inc - Vice President, Investor Relations

Excluding Bombardier.

Mike Stepniak
Honeywell International Inc - Senior Vice President, Chief Financial Officer

Excluding Bombardier. And the volume was minus 1% to 2% up. In this current guide, I'm assuming about 3% of price, and I'm assuming about minus 2% of volume to 1% of volume. So that's the conservatism is there.

Sean Meakim
Honeywell International Inc - Vice President, Investor Relations

So whether you include on Bombardier or not, either way, 1 more point of price, 1 less of volume would align to the same guide.

Stephen Tusa
J.P. Morgan Securities LLC - Analyst

Yeah. That makes a ton of sense. And then just related to the tariffs, can you maybe talk about how much is roughly coming from China? And I know this may be kind of old news at this stage, but any other -- other than Mexico, any other kind of hotspots that we should be watching when it comes to other regions? Or is this mostly like a China thing, the $500 million?

Vimal Kapur
Honeywell International Inc - Chairman of the Board, Chief Executive Officer

So Steve, if you peel out our tariffs, I would say that going into China, exports from US into China, is a big part of impact. As we've always shared, we are a net exporter to China for many years. Aerospace and ESS business, UOP, we ship it from US. So clearly, a part of our tariff impact is China-related tariffs.

On incoming side in the US, the impact is not big, because we are largely localized. But at the same time, there's an impact of some products coming from -- impacted by reciprocal tariffs because we do import parts from all over the world. And then there is a tail-off impact from China, both in -- specifically in Industrial Automation business.

So that's the construct of it. And as we said before, we have factored all known tariff rates, which are known today, both coming into US and coming into China.

Mike Stepniak
Honeywell International Inc - Senior Vice President, Chief Financial Officer

And Steve, I would just add, so for China, it's about 60% to 70% of our overall tariff exposure; rest of it is reciprocal. Mexico is 100% offset.

Stephen Tusa
J.P. Morgan Securities LLC - Analyst

It's a 100% what? Sorry?

Mike Stepniak
Honeywell International Inc - Senior Vice President, Chief Financial Officer

Yeah, Mexico, it's not material to us.

Stephen Tusa
J.P. Morgan Securities LLC - Analyst

Immaterial. Yeah. Got it. 100% covered. Thanks a lot.

Operator

Julian Mitchell, Barclays.

Julian Mitchell
Barclays Capital Inc. - Analyst

Hi. Good morning. Maybe just wanted to start with the Industrial Automation segment. So maybe help us understand, you have that big drop-off in the PSS top line in the first quarter. How are you thinking about that playing out for the balance of the year? Anything odd going on sort of share-wise?

And on the margin front, I suppose those IA margins were down in the first quarter. I think they guided to be up slightly for the year. So maybe any help around the sort of cadence of that margin swinging from down to up as we go through the year?

Vimal Kapur

Honeywell International Inc - Chairman of the Board, Chief Executive Officer

Yeah. So Julian, the PSS quarter one was roughly flattish. If you take out the royalty we get from Zebra, that was the last quarter we had the comps. So it was a flattish revenue.

We did extremely well in North America. Europe, there was some pressure. I think it's too early for us to see any comps relative to competition. So I think as our competition will declare results, we'll observe if any specific puts and takes to share.

I would say in our guide, when we talked about contingency, there are two drivers of that contingency from the future demand, if I can use the word unknown. One is definitely China. Mike talked about uncertainty we see there. We have a business exposure. And the second part is the uncertainty around our businesses, which touches the retail markets. So PSS being one of them.

I cannot tell you an absolute number because we are not trying to drill down a number of business by business. We have taken an overall broader view. So we do expect some pressure to a certain degree on PSS business in our assumption for the rest of the year.

On the margins, in first quarter, the large part of the margin contraction in IA was receivables write-off. We had some past receivable write-off. And based upon the progress of that, we wrote them off. The year as we progress, we don't have the similar event for rest of the year. Also, as the PPE business retires from our portfolio; that gives us a favorable tailwind. So fundamentally, I think all those factors play out, help us margin expansion for the rest of the year.
Mike Stepniak
Honeywell International Inc - Senior Vice President, Chief Financial Officer

I would add, PPE is obviously accretive to our segment margin and accretive to our organic --

Vimal Kapur
Honeywell International Inc - Chairman of the Board, Chief Executive Officer

Right. The PPE exit, yeah.

Julian Mitchell
Barclays Capital Inc. - Analyst

That's helpful. Thank you. And then just my follow-up on the capital deployment. Last year, you had under $2 billion of buyback and close to $9 billion committed to M&A. This year, year to date, you're running at sort of $3 billion buyback and a couple of billion of M&A.

Any way you could frame for us sort of the buyback scope for the year? And I understand it depends on share price action and other uses of cash potentially. But just trying to gauge sort of how aggressive or large could that buyback be assuming the share price stays around current levels.

Mike Stepniak
Honeywell International Inc - Senior Vice President, Chief Financial Officer

Julian, I would just say at this stage that we will continue to be opportunistic. We obviously view our share price as very attractive at this stage for buybacks. But at the same time, we want to balance our capital deployment with M&A. And we --obviously, M&A machine has been now in play for us for a couple of years. So if deals -- there are specific deals that we've been working for a while and then attractive to us, we'll not pass them on.

Vimal Kapur
Honeywell International Inc - Chairman of the Board, Chief Executive Officer

Yeah. So it will be a balanced approach, Julian. I mean we do expect opportunistic approach on share buyback to continue. But at the same time, if there's a time-bound M&A deal we have been working for a couple of years, we also don't want to miss the window at this point of time. So it will be a balanced approach.

Operator

Scott Davis, Melius Research.

Scott Davis
Melius Research LLC - Analyst

Hey. Good morning, Vimal, Mike, and Sean. I hate to beat the dead horse, but still on tariffs. I just wanted to clarify kind of the cadence of -- you've got the cost side of tariffs and you have price; I imagine they don't match up kind of perfectly, unless you're doing surcharges, I suppose. But is the intent to match up price and mitigation efforts with tariffs by, say, the end of the year and have it be neutral by then? Or do you think you can do it sooner than that?

Mike Stepniak
Honeywell International Inc - Senior Vice President, Chief Financial Officer

I would say it will be much sooner than that. I mean we have -- we stood up a large team of people that can understand tariffs by HTS code and know it essentially to a dollar. And the teams have been quite active in terms of understanding what -- how to offset it and what are the mitigation actions.

I would say it's not 100% price. Like Vimal said earlier, we have other options, and our direct material productivity has been really good. So we're trying to manage, I would say, demand with cost and demand destruction vis-a-vis price. So we feel very confident by the -- in the second half, we'll be, I would say, on par. And definitely by fourth quarter, we'll be in a stable operating mode, assuming things don't change materially for us here.

Scott Davis
Melius Research LLC - Analyst

Yeah. That's good color. I'm not asking for specific numbers, but let's just say that it's $800 million ballpark of total tariff impacts. If there was a way to kind of rank it by segment or give us a little color by segment of where the bigger impacts are, just to be helpful. If you want to give numbers, that would be great, but I don't expect it.

Mike Stepniak
Honeywell International Inc - Senior Vice President, Chief Financial Officer

Yeah. So Vimal mentioned earlier that our largest exposure on tariffs is in industrial automation just because of the supply chain there and also in aerospace, which Aero is an exporter to China. So those are two largest segments that have exposure.

Building Automation is largely protected. They're almost 100% local for local in their geographies. And then ESS, we don't see a lot of tariff exposure, maybe a little bit of a demand risk in China given they sell to China as well. But that's something that I think is -- all of that is contained in our guide, and I feel at this stage is de-risked assuming things stay the way they are.

Operator

Andrew Obin, Bank of America.

Andrew Obin;US;Analyst
BofA Global Research

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Good morning. So looking at aerospace, I think on Aero OE, I think we were sort of indicating that Aero OE was going to be better than I think what happened. And then on the aftermarket, I think it came in quite a bit stronger.

And I appreciate that your numbers seem to be in line with what other folks are reporting in the aerospace. But can you give us more color as to what's happening on the Aero OE? What's happening on the aftermarket? Is there a destock going on? Would be greatly appreciated. Thank you.

Vimal Kapur
Honeywell International Inc - Chairman of the Board, Chief Executive Officer

So Andrew, [as first is outset], I would say, the Aero volume, manufacturing volumes are growing. Why you don't see that showing up in the OE revenue is there are two drivers for that. The first is the mix of our products. We have -- when we ship specifically mechanical products, we have cost over-sell. So even though we are shipping more volume due to cost over-sell, our revenue growth actually goes towards opposite direction, goes negative, due to that. So when you have a higher mix of cost over-sell products in a given quarter, that has its impact.

And the second driver is the timing when we recognize -- we ship the revenue and customer recognizes revenue, that does also have a driver on our overall revenue recognition process. So the combination of the two really drives the OE growth numbers, what you see. As the year progresses, we do expect these numbers to improve. And overall, as we reconfirm the Aerospace guidance for the year, we'll continue to remain very bullish. I think these are the puts and takes in the business with more than $2 billion of backlog, and we remain very confident on delivering (technical difficulty) Aerospace.

Andrew Obin;US;Analyst
BofA Global Research

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Excellent. And just a follow-up, I guess there are a lot of headlines out there about all this traffic, all this shipping traffic out of China collapsing over the next four to six weeks. How should we think about it?

I would imagine is that in parts of the IA, the supply chain is exposed to China? Just can you just tell us because you're so diversified; you've been in China for a long, long time. Like how is that going to play out? Because there's this doom-and-gloom scenario of how everything is going to come to a grinding halt in about four to six weeks.

It doesn't seem we see that in your guidance. I appreciate a different manufacturing footprint, longer cycle exposure. But as I said, I would greatly appreciate any color you can give us, how you guys are going to deal with sort of effectively trade embargo between US and China.

Vimal Kapur
Honeywell International Inc - Chairman of the Board, Chief Executive Officer

Thank you. So I would say we -- products coming into -- from China into US, the biggest impact that of -- is in Industrial Automation business. So to that degree, there will be a tariff pressure, which is already into our guide. It's already factored in.

And on the opposite side, when we ship products from US into China, that's primarily a driver in Aerospace and in ESS business. So again, the impact of those tariffs are again factored into our guide. And then overall, we also have factored a demand destruction on either side of the fence due to the known facts, what we know today. And that's how we have guided at this point of time.

Any view for us -- I would say we are really looking at potential reduction in volume in our short cycle, in our

Automation business or reduction of demand of catalysts for UOP. Those are the kind of assumptions we have made. But it should be seen if they really play out depending on how economic situation plays out.
Andrew Obin;US;Analyst
BofA Global Research

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But it's actually -- it's demand destruction. It's not ability to access the actual components and parts, right? Because I think the headlines indicate like this massive shortage of parts. But it seems for you, it's under control.

Vimal Kapur
Honeywell International Inc - Chairman of the Board, Chief Executive Officer

Yes. I don't see -- we don't foresee any shortage of parts. I think it's just the tariffs coming in and business demand destruction. I haven't seen or heard any lack of product availability for Honeywell so far.

Operator

Sheila Kahyaoglu, Jefferies. Please proceed with your question.

Sheila Kahyaoglu
Jefferies LLC - Analyst

Good morning, guys, and thank you. Maybe two more on Aerospace. First, if I could, just following up on Andrew's comments on aftermarket, 15% commercial aftermarket growth versus the guidance of mid- to high-single-digits, how is price a contributor? And how do you think about overall price in Aero versus the 3% for the total company? And any color regionally you could provide on aftermarket behavior?

Mike Stepniak
Honeywell International Inc - Senior Vice President, Chief Financial Officer

Sheila, I would say on the aftermarket, as Vimal mentioned, we still have over $2 billion of positive backlog. So whenever, I would say, our shops have capacity, we ship to whoever we can to satisfy that demand. So our, I would say, results for the next couple of quarters will still be, I would say, lumpy in terms of OE aftermarket mix.

Generally, our price is in line with what we guided at the beginning of the year. So there's no change there for aftermarket. And I know what the hours -- I would say, flight hours moderated a little bit here going to the second year. But we still see good hours 4%-plus hours. And as you know, we have exposure to ATR and business aviation, and those business aviation hours are more stable.

And defense also has an aftermarket in there and defense is growing extremely strong, especially in the aftermarket. So I would say, overall, I know it's a little bit lumpy, but I would say our construct for the year is not changing vis-a-vis what's happening in the commercial aviation.

Sheila Kahyaoglu
Jefferies LLC - Analyst

Okay. And maybe if commercial OE is still set to outperform aftermarket for the year and any color on commercial OE production rates you could provide?

Mike Stepniak
Honeywell International Inc - Senior Vice President, Chief Financial Officer

So commercial, we will were normalize in the second half. Right now, what I see is we have a little bit of mix within a mix issue. It's not been an issue, just a reality of how our OEMs take product between mechanical and electronics.

That said, like Vimal said, our supply chain output, our factory output for the quarter again was double digits. So we're really confident that this OE demand is continuing to stay with us for the remainder of the year going to next year. And within that $2 billion, OE is about $1 billion of [past] backlog, if not more.
Operator

Amit Mehrotra, UBS.

Amit Mehrotra
UBS Securities LLC - Analyst

Okay. Thanks. Congrats on the quarter. Just maybe a couple of quick ones. One, can you just update us on the timing of the spin, if you think it could happen sooner than what you noted earlier? And then if Aerospace margins, I get the case and there's some mix dilution, but is there an opportunity to kind of build on the 1Q margin as we progress through just given the higher revenue? Or do we think first quarter is kind of the right run rate for the rest of the year?

Vimal Kapur
Honeywell International Inc - Chairman of the Board, Chief Executive Officer

So timing of the spin, Amit, as we've indicated, for advanced materials, it's Q4 this year/Q1 of next year. I think we are far along the way. And as we'll come to the Q2 earnings call, we'll be able to provide you a specific date. I think we have some external elements, which are not entirely our control. Because that's only variable.

If you ask me, our own execution, that is progressing extremely well. We are on schedule to execute all the tasks, but I cannot control anything which are not in Honeywell control. Specifically regulatory agency approvals, we cannot control the timing of that.

And aerospace spin date, I think it's early days. We started work just about two months back. But we are working to make it on schedule. And as the schedule progresses, we'll provide you more specific color what will be the specific date because right now, I fully appreciate the date is a bit wide, H2. And our goal is to refine the data and provide more specific outcome on that.

On Aerospace margins, as we had provided the guide during start of the year, I think there are two specific drivers for the Aero margins for 2025. One is the mix of -- mix or mix within the mix of the products we are shipping. And the second is the case acquisition integration is going to be part of the P&L. There's the integration-related cost. The business also gets onboarded with a lower margin, which on a longer term is a good news because we can expand those margins. But the combination of those two contracts the Aero margin.

I would say that the Aero margins will remain on a similar pace as you've seen in Q1. We don't expect any substantial shift. But on an overall year basis, I think the guidance that we provided at the start of the year, that still holds good.

Amit Mehrotra
UBS Securities LLC - Analyst

Okay. That's helpful. And just as a follow-up, Building Automation, we've now had two straight quarters of high-single-digit growth. I know last quarter, you didn't necessarily want to extrapolate the goodness into this year, but now we've had another quarter of high-single-digit growth.

As we think about the guidance over -- I mean, comps get a little bit more difficult, so maybe that explains it. But is the guidance still reflective of kind of not extrapolating what we've been seeing over the last couple of quarters? Or do you think now it's kind of more realistic based on the trend?

Mike Stepniak
Honeywell International Inc - Senior Vice President, Chief Financial Officer

So as you saw in our guide, we raised the Building Automation guidance from low-single-digits to mid-single-digits to mid-single-digits. And then part of our demand contingency, we think, in the second half is related to us just taking a prudent stance on potential demand destruction in the second half.

Building Automation projects, I would say, are continuing to be strong. We're just watching our short-cycle demand, product demand. And if Building Automation continues on this space, I think they have a chance to beat that. But we're just being prudent as far as second quarter, the rest of the second quarter, and the third quarter, given everything going on in the market.

Vimal Kapur
Honeywell International Inc - Chairman of the Board, Chief Executive Officer

I think the overall strategy in Building Automation is really playing out. We're focused on pivoting our business to higher-growth verticals like data center, like hospitality. And those segments are growing regardless of the current conditions. So certainly, that's helping.

But also, at the same time, the business has the largest global footprint exposure. This business is like literally one-third in the US, one-third in Europe, one-third in Asia. So given the uncertainty in the global trade environment, we are, therefore, being cautious of the fact that it can hit on the headwinds on the economic side, economic uncertainty. So we have factored that.

But if you ask me on the strategy side, the business is executing extremely well. And if things don't change, the business would continue to deliver the numbers you've seen over the last few quarters.

Operator

Joe Ritchie, Goldman Sachs.

Joe Ritchie
Goldman Sachs & Company, Inc. - Analyst

Hey. Good morning, guys. Maybe just following up on that last point and just relating it to the demand contingency that you've baked into the guide. So is it fair to say that you've got some good visibility on your long-cycle businesses, but it's really just on the short-cycle side, maybe in IA, maybe in BA, that you're most concerned and you're building in as contingency? Just any color that you can kind of parse out for what's baked into that demand contingency number?

Mike Stepniak
Honeywell International Inc - Senior Vice President, Chief Financial Officer

Sure. So I would say we have a very good line of sight to the long cycle for the year. With respect to short cycle, if we look at Industrial Automation, that's the business has the most exposure to China. We're watching that, especially the products part of the business.

And then Building Automation, I mean, Building Automation has been doing extremely well for the last three quarters and continues. We have really no reason to worry at this stage. But like I said, we're just taking a prudent approach to the second half.

So I'm feeling confident about the second half, but like I said at the beginning, we want to continue to make sure that we give a guide that we are -- have a high level of confidence we can deliver.

Joe Ritchie

Goldman Sachs & Company, Inc. - Analyst

Got it. That's helpful. And then just my quick follow-up, helpful to get some color on the separation. I'm just wondering, has there been any update on either the one-time costs or the stranded costs that you can give us any more information on either of those two options?

Vimal Kapur
Honeywell International Inc - Chairman of the Board, Chief Executive Officer

So I think they are -- the one-time costs we had indicated between the band of $1.5 billion to $2 billion, we are on plan to stay in the same range. Given the large part of that one-time cost related to Aerospace and we are early innings of execution of that, therefore, it's hard to refine that number at this point of time.

Stranded costs, we already started doing the work to look at stranded costs, starting with the advanced materials spin happening at the end of the year. Our confidence that stranded costs will be eliminated between 18 to 24 months' time is very high post-spin. So working on that front, and we will make sure that we execute on the same.

Operator

Chris Snyder, Morgan Stanley.

Christopher Snyder
Morgan Stanley & Co. LLC - Analyst

Thank you. Maybe for my first one, just on Q2 margins, guided flat quarter on quarter despite volumes going higher and the PPE divestiture, which should have some level of margin tailwinds. I guess, is this kind of saying that there's some margin pressure in Q2 on the tariffs, and then as we go into the back half, we'll get neutral per some of the earlier comments?

Mike Stepniak
Honeywell International Inc - Senior Vice President, Chief Financial Officer

I don't see any, I would say, margin pressure right now incremental to everything that we saw in the first quarter. Second quarter, to me, looks benign in terms of any new information. It feels more like first quarter. And the [$2.60 to $2.70] that we guided, we feel it's appropriate given everything that's going on and our mix holds, our price is holding. So I don't see any structural issues --

Vimal Kapur
Honeywell International Inc - Chairman of the Board, Chief Executive Officer

One item I'll add to Mike's point is, I think quarter to quarter, if you really want to look at quarter-to-quarter differences, ESS margins were substantially up in Q1. That won't be the case in Q2. It's just a mix of shipments of catalyst -- catalyst shipments by product by product. Some are high margins; some are moderate margins.

So depending on Q2 had the different shipment levels or shipment mix compared to Q1, but that doesn't concern us at all. I think it's just a very normal course of this event. And overall, the guidance what we did for the ESS margin, that still holds very good.

Christopher Snyder
Morgan Stanley & Co. LLC - Analyst

Yeah. Thank you. No. I appreciate that. And then maybe, Vimal, just maybe a bigger picture question on Industrial Automation portfolio. The business has leading positions in process, building and warehouse. There's not much of a discrete presence for sales into factory.

You talked earlier about willingness to do M&A. So I guess my question is, do you think it's important for Honeywell Automation standalone entity to have discrete exposure in the portfolio? Thank you.

Vimal Kapur
Honeywell International Inc - Chairman of the Board, Chief Executive Officer

Chris, as we're looking at the equity story of Honeywell Automation, the way we are looking at it is our exposure to the end markets. We want to build a portfolio which is exposed to high-growth end-verticals. So examples of that would be LNG. Example of that will be data center. Example of that will be semiconductor. So rather than looking at the business with a lens of process and hybrid and discrete, we are looking at the business with the lens of end markets and how much exposure we can have. And we'll share more with you when we are ready.

We have nothing for or against discrete automation. It's not that we like or don't like it. I think it's a factor of our exposure in that segment is low. That's a fact. But if it's any attractive opportunity, which is exposed to higher growth markets, as we have demonstrated in our acquisition profile, we'll absolutely execute that.

We are looking for an acquisition which are accretive to our growth rates. And if possible, also accretive to our margin rates. We don't want to build -- onboard something which then we are being defensive on our growth profile. So more to come there. We'll remain active in our M&A portfolio and continue to outlook for good opportunities.

Sean Meakim
Honeywell International Inc - Vice President, Investor Relations

We'll take one more question.

Operator

Andy Kaplowitz, Citigroup.

Andrew Kaplowitz;US;Analyst
Citi Investment Research

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Good morning, everyone. Thanks for fitting me in. You mentioned that HPS is expected to lead Industrial Automation growth in '25, I think, in the presentation, but it didn't lead growth in Q1. I think warehouse automation did. So can you talk about the visibility you have in HPS going forward?

And then when you're having conversations with your customers, are you seeing any hints of CapEx delays or project deferrals and what end markets or regions are driving HPS's growth?

Vimal Kapur
Honeywell International Inc - Chairman of the Board, Chief Executive Officer

Yes. HPS number, Andy, if you see on a reported basis, as we've said in our prepared comments, we saw strength in our aftermarket services. That certainly drove a lot. There are other businesses which are reported as part of HPS, thermal solutions and smart energy. They saw a minor pressure. So net-net, the whole segment was reported as flat. But if you look at the projects and services in HPS, they are performing on expected lines.

To your question, are we seeing any pressure on projects? I think with the combination of the lens we have, both on the UOP side of the projects and HPS side, I certainly see some push out on projects which are sustainability related. I think customers' willingness to spend money on sustainability-related investment, energy companies are becoming more cautious. And certainly, we expect that factor to persist.

On other side, we see very strong trends on growth in gas processing and LNG. So kind of one offsets the other.

And that's why we have a portfolio which is very diversified. We cover all these end markets. So net-net, we do believe that we will have a normal year for HPS in 2025
Andrew Kaplowitz;US;Analyst
Citi Investment Research

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Helpful. And just back to Aero and defense and space, you have difficult comps essentially all year in defense, but you delivered double-digit growth in Q1. Are you seeing more strength in international defense now? Or is it -- growth relatively balanced? And then it doesn't seem like you have or expect to see any impact from DOGE, but maybe you can elaborate on that?

Mike Stepniak
Honeywell International Inc - Senior Vice President, Chief Financial Officer

Yeah. So I think first, maybe just answer to DOGE question, we don't see any impact. Majority of our programs are funded or have been funded, and those are multi-year programs. So we don't see an issue there.

And like I said earlier, international defense is continuing to showing strength and a lot of demand and interest out there. So I don't think the team will have any issue in terms of managing the comps on the defense and space side this year.

Operator

Thank you. Ladies and gentlemen, that concludes our time allowed for questions. I'll turn the floor back to Mr. Kapur for any final comments.

Vimal Kapur
Honeywell International Inc - Chairman of the Board, Chief Executive Officer

I want to express my sincere appreciation to our shareholders, our future shapers, and our customers for their unwavering support during this transformational time for Honeywell. Our future is bright, and we are excited to share more with you as we make progress in delivering with our commitments. Thank you very much for listening, and please stay safe and healthy.

Operator

Thank you. This concludes today's conference call. You may disconnect your lines at this time. Thank you for your participation.

Call Participants

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Vimal Kapur, Honeywell International Inc - Chairman of the Board, Chief Executive Officer
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Refinitiv StreetEvents Transcript
Q1 2025 Honeywell International Inc Earnings Call
Apr 29, 2025 / 12:30PM GMT